

Copy No. 90

~~SECRET~~

WEEKLY SUMMARY



Number 51

20 MAY 1949

Document No. 001

NO OTHER ☐

☒

Class. : S C

Auth: 1

Date: 01-02-70 L: 013

F-4

CENTRAL INTELLIGENCE AGENCY

SECRET

1. This publication contains current intelligence exclusively and therefore has not been coordinated with the intelligence organizations of the departments of State, Army, Navy, and Air Force.
2. This copy may be either retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency.

WARNING

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U.S.C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

SECRET

C O N T E N T S

	Page
HIGHLIGHTS	1
Soviet Preparations for the CFM Meeting	2
WESTERN EUROPE	5
EASTERN EUROPE	9
NEAR EAST - AFRICA	12
FAR EAST	13

SECRET

SECRET

H I G H L I G H T S

On the eve of the Council of Foreign Ministers meeting, there are still no tangible indications as to whether the USSR is entering the discussions in order to achieve limited objectives or whether it actually desires an over-all German settlement. It is now apparent, however, that the Soviet decision to lift the Berlin blockade was motivated to a considerable degree by economic considerations (see page 2). Moreover, the all-out Soviet propaganda campaign on the theme of German political unity suggests that the groundwork is being laid for an effort to obtain the political unification of Germany on Soviet terms (see page 3). Confronted with the adverse effects both of the western counterblockade on the economy of Soviet Zone Germany and of East-West trade restrictions on the entire Soviet orbit, the Kremlin may try at the CFM meeting to obtain economic relief beyond that offered by the lifting of the blockade and, by obtaining a stronger voice in German affairs, to gain certain economic weapons which can be used against the West. Irrespective of what Soviet intentions may be, Kremlin insistence on retaining control over shipments to and from the Soviet Zone since the lifting of the blockade suggests that the USSR may maintain Berlin in a state of semi-blockade in order to protect the Soviet position there in the event of a CFM deadlock.

The Chinese Communist offensive moved steadily forward during the past week while Nationalist leaders in Canton talked frantically about where to go next (see page 13). The rapid development of a Communist thrust deep into South China threatens not only to prevent the establishment of an anti-Communist resistance center in that area but will probably frustrate any future unified anti-Communist effort in China.

- 1 -

SECRET

SECRET

SOVIET PREPARATIONS FOR THE CFM MEETING

The Soviet decision to lift the Berlin blockade and ask for another meeting of the Council of Foreign Ministers was motivated to a considerable degree by economic considerations. This view has been further substantiated by the 13 May offer of the USSR to resume reciprocal deliveries of wheat and timber from Soviet Zone Germany in return for reparations received from the western zones and by recent indications of increased Soviet interest in expanding trade with the West. It not only has become clear to the Kremlin that the economy of Soviet Zone Germany has suffered as a consequence of the western counter-blockade but, more important, that the economic development of the whole Soviet bloc has been hampered by the imposition of western export controls. It is plain, for example, that those Soviet industries which are dependent upon western imports have made the poorest production records. Confronted with this situation, which stands in marked contrast to the growing economic consolidation and recovery of Western Europe, the USSR may try at the CFM meeting to get western concessions which will give economic relief beyond that offered by the lifting of the Berlin blockade.

Economic Aims Whether or not the USSR is approaching the CFM sessions with the intention of reaching a general accord with the West, a primary Soviet aim will probably be to reduce existing East-West economic barriers. Apart from the adverse economic position of the Soviet bloc as a whole, the USSR needs western goods and credits to carry out its plans for domestic and Satellite economic development. Although the USSR could not permit the Satellites to join the European recovery program, the Kremlin

- 2 -

SECRET

SECRET

might seek financial aid for them through such agencies as the International Bank.

Weapon Against West A further aim of the USSR at the CFM meeting may be to gain certain economic weapons which can be used against the West. The Kremlin may estimate that an economically revived Germany would inevitably gravitate eastward, particularly in view of the fear of western European countries concerning German competition and of the insatiable demand of the Soviet bloc for capital goods. The USSR may also hope by obtaining a stronger voice in German affairs to reduce Germany's key contribution to the European recovery program and to prevent full economic integration of Germany into the western economic bloc. Moreover, the Kremlin may try to prevent the application of western export controls to Germany, thereby making Germany a channel by which the Soviet bloc can obtain western goods now denied to it.

Political Maneuvering In addition to the economic considerations before the USSR in preparing for the CFM meeting, the Kremlin is concerned with political aspects and is intensifying its propaganda efforts to lay the groundwork for political unification of Germany on Soviet terms. Soviet-inspired pronouncements have stressed the need for cooperation and discussion between such German political organizations as the German Economic Commission (DWK) and the German People's Council in the Soviet zone and the Bonn Parliamentary Council and the Bizonal Economic Council in the western zones. Soviet advocacy of such cooperation between German political leaders may presage a Soviet proposal before the CFM for the formal fusion of these organizations as the basis for a unified German government. The Kremlin is also using the recent German People's Congress elections to advance the theme of German political

- 3 -

SECRET

SECRET

unity. Despite the adverse results of these elections from the Soviet view (official returns admitted that 33% of the vote was against the Communist-backed single list), Soviet-controlled propaganda will undoubtedly continue to hail the results as a "mandate" to the occupying powers for peace, German unity, and troop withdrawal and to claim that the election results should be considered a fair cross-section of all German opinion. Meanwhile, the heavy anti-Communist vote will stimulate nationalist aspirations throughout Germany and raise the hope in the German people that unification can be achieved without Soviet domination. The USSR is likely to encourage these hopes so long as it believes it can control east German representatives. In west Germany, the rank and file in the non-Communist parties will be more interested in the establishment of closer relations with the remnants of their corresponding east zone party branches. Western conservative leaders may become less cautious in their contacts with potentially Soviet-controlled representatives from the eastern zone. German Socialist leaders, on the other hand, will remain skeptical of the opportunities for political unity.

- 4 -

SECRET

SECRET

WESTERN EUROPE

GERMANY

Rightist Trend While the populace remains generally apathetic toward the proposed west German government, a growing political trend to the right may seriously undermine the role in the new government of Germany's two major parties--the German Socialist (SPD) and the Christian Democratic (CDU). In recent special elections in two Hessian districts, the SPD-CDU coalition suffered considerable losses to the conservative, violently anti-Socialist Free Democratic Party and the newly-organized Free Democratic Voters' League. The rise in circulation of independent newspapers since the lifting of newsprint restrictions in April 1948 also points to a loss in SPD and CDU popularity. The circulation of the independent and non-party press has risen 132% in contrast to increases of 3.3% and 12.5% respectively for the SPD and CDU newspapers. The decrease in SPD-CDU strength has been caused by widespread dissatisfaction over the failure of these two parties to deal effectively with west Germany's economic problems. Support for the independents comes primarily from Germans expelled from the eastern zone and the Satellites, persons rendered destitute by bombing, pensioners, and middle class people generally. Continued failure of the CDU and the SPD to solve the mounting unemployment problem will accelerate this rightist-independent trend. The danger exists that, as in the past, these increasingly powerful independent movements will be influenced and controlled by extremist nationalist elements.

- 5 -

SECRET

SECRET

FRANCE

Political Prospects The reconvening of the French Assembly will force the Queuille government to deal with numerous fundamental and potentially explosive issues which have been largely ignored during the parliamentary recess and the temporary political truce since the March elections. Matters of basic economic policy such as liberalization of the nationalization program, deficits in nationalized industries, the budget, and a national credit policy are among the most critical problems. Reorganization of the social security system is also a controversial issue. The Queuille government will probably be able to achieve compromises on most of these issues because: (1) the political leaders in the coalition will be reluctant to adopt any drastic economic measures which might stimulate unrest and instability; and (2) there is a strong sentiment for preserving political calm and the appearance of unanimity during the crucial CFM negotiations. Meanwhile, the French Communist Party is becoming increasingly isolated. The purge designed to give the Party a more "proletarian" character has reduced membership to a new low of 600,000. Despite these losses, however, the Party is still the strongest single party in France and has retained considerable influence over labor, particularly in the coal fields and the ports. The Communists, however, will probably confine their efforts during the next few months to continued virulent propaganda attacks against the US, the European recovery program, and the Atlantic Pact.

TRIESTE

Soviet Policy Recent public declarations by Trieste Cominform leaders that the USSR no longer opposes returning the entire territory of Trieste to Italy are more probably a pre-election maneuver than an indication of Soviet

SECRET

TRIESTE

agreement with the US-UK position. Because the June Trieste elections will inevitably be interpreted as a plebiscite, the Communists are apparently attempting to win the support of those who would probably vote Communist if convinced the Kremlin no longer opposed the return of Trieste to Italy. Neither the Trieste Cominform Party nor the USSR, however, has issued any public denial of the official Soviet position which favors the early appointment of a governor by the UN in accordance with the provisions of the Italian Peace Treaty. Although the USSR might shift its position in order to bring about the early withdrawal of US and British troops from Trieste and to further embarrass the Tito regime, which would bitterly oppose the return of the Yugoslav zone to Italy, it is more probable that the Kremlin prefers for the time being to retain the flexibility and bargaining power of its present position.

UNITED KINGDOM

Export Program The sharp drop in British exports during April underscores the growing obstacles to the maintenance of the UK's export program and the need for lower costs and prices if the UK is to compete successfully in the emerging buyer's market. The April adverse balance-of-trade does not necessarily indicate a permanent drop in the British export rate; it was caused in part by such factors as the Easter holiday, the dock strike, and high seasonal imports. However, the April showing indicates that the problem of maintaining the level of British exports may be becoming more acute. A solution to the pressing and immediate problem of the British payments deficit with the dollar area will be difficult in view of: (1) increasing competition from US firms, particularly in the automotive and consumer

- 7 -

SECRET

SECRET

UNITED KINGDOM

goods fields; and (2) the inclination of British firms to export to the more profitable soft-currency markets. An increasing shortage of sterling, however, is already threatening to curtail British exploitation of these hitherto profitable markets. Although diminished sales to these markets would stimulate efforts to trade with dollar areas, the British must still find some means of cutting prices and costs if they are to increase their sales to the dollar areas and thus avoid an over-all reduction in exports.

IRELAND

UK Relations An outbreak of violence in Northern Ireland remains a possibility as tension continues high following the passage of the Ireland Bill by the British House of Commons. The crucial clause of the bill declares that no change will be made in Northern Ireland's status without the consent of the Northern Ireland Parliament. In the Republic, the British action has united all political parties in opposition, and an all-party committee to formulate policy on matters affecting partition may be established. The Irish may even be considering the feasibility of invoking economic reprisals against the UK. Although it is still too early to estimate the long-term effect of the Ireland Bill on Anglo-Irish relations, it appears that the Irish will attempt to persuade the Atlantic Pact powers to intervene in the partition issue and to raise the issue through international channels, as well as to bring it before the newly created Council of Europe.

- 8 -

SECRET

SECRET

E A S T E R N E U R O P E

SOVIET UNION

Radio War The recent intensification of Soviet interference with Voice of America (VOUSA) broadcasts was apparently timed to coincide with the lifting of the Berlin blockade. This Soviet interference, which was accomplished by greatly increasing the number of radio frequency jamming transmitters, began on 24 April, the day before the first TASS announcement on the Berlin blockade. Meanwhile, the Soviet press has given very slight coverage to the forthcoming CFM meeting, indicating that the intensified jamming of foreign broadcasts may have been caused by a Soviet desire to control the timing and the content of information released to the people of the USSR on these momentous occurrences. For some time, however, there have been indications that VOUSA programs on topics such as slave labor have been effective and that the USSR was preparing an intricate and widespread system of radio interference requiring extensive effort and capital investment. Thus, the USSR probably envisages the jamming operation as an essential part of a long-range program to hamper the reception of information from abroad and as a potential weapon for the disruption of western communications in the event of war.

RUMANIA

Cabinet Change Reports are again circulating in Bucharest that non-Communist Premier Groza will soon be replaced by Vice-Premier Georghiu-Dej. Such a change would be in line with the recent trend throughout the Satellites

- 9 -

SECRET

SECRET

RUMANIA

of filling top governmental posts exclusively with Communists. Because Georghiu-Dej is a politician of recognized ability and is popular with the rank and file of the Workers' Party, the Communists may wish to make the change before instituting their all-out campaign for agricultural collectivization. Furthermore, as in the case of the recent appointment of Kolarov to the Bulgarian premiership and the grant of wider powers to Vice-Premier Minc of Poland, the USSR apparently recognizes the necessity of having the most popularly acceptable national Communists as symbols of official power in the Satellites. Meanwhile, the real power remains in the hands of solidly pro-Moscow supporters who surround these Communist officials and who constitute an executive committee or super cabinet. By thus retaining inconspicuous but effective control over the Satellite governments, the USSR minimizes the risk of giving local prominence to popular though possibly less reliable figures such as Georghiu-Dej.

CZECHOSLOVAKIA

Communist Disseasion Numerous reports of serious dissension among top Czechoslovak Communist Party officials, combined with the reported presence in Prague of Soviet Deputy Foreign Minister Zorin, probably reflect disagreement over the tactical implementation of Soviet policy in Czechoslovakia rather than disloyalty to Moscow. A Tito-like defection in Czechoslovakia is unlikely because: (1) Czechoslovak Communist Party leaders are well aware of the current violently anti-Communist mood of the people and realize that their own positions depend upon continued Soviet favor and support; and (2) no Communist in Czechoslovakia appears to have sufficient popular backing or power in the Government to make a successful break with Moscow. The reported

- 10 -

SECRET

SECRET

CZECHOSLOVAKIA

presence of Zorin, long recognized as the Kremlin's expert on Czechoslovakia and who was in Prague during the 1948 coup, indicates Soviet determination to prevent Communist dissensions from being publicly aired, particularly during the crucial period of the CFM meeting in Paris.

Political and economic difficulties are probably at the root of the reported controversy in Communist ranks. Steadily worsening economic conditions, aggravated by Czechoslovakia's inability to obtain strategic materials from the West and the inadequacy of Soviet economic aid, have probably caused some Communist officials to advocate a more conciliatory Czechoslovak policy toward the West. In view of the antagonistic mood of the people, one faction of the Communists may be urging a more temperate pace of communization. Communist leaders, fearing internal political repercussions are probably increasingly concerned over the growing Soviet rapprochement with Germany at the expense of Czechoslovakia. An additional cause of the reported dissension may be the accentuation of personal rivalries among the Party leaders as they attempt to gain lower echelon support prior to the Czechoslovak Communist Party Congress on 25 May.

- 11 -

SECRET

SECRET

NEAR EAST - AFRICA

ISRAEL

UN Role Israel, as the 59th member of the UN, is likely to give small comfort either to the US or the USSR. Seeking to avoid identification with either the East or the West, the Israeli government may become a highly vocal, roving gadfly, hewing to the line of abstract justice when its interests are not involved and thus discomfiting both sides in any future East-West controversy. In general, Israel will be critical of British policy (as evidenced by the tart strictures against the proposal for British trusteeship over Cyrenaica), will oppose the concept of colonialism, and will resist any rapprochement with Franco Spain. On the question of the increasingly important human rights, however, Israel can be expected to support the West.

Arab Peace With the delegates at Lausanne still in disagreement over the agenda for formal peace discussions, tension has increased between Israel and Syria. Armistice negotiations between the two countries are still deadlocked. On 11 May the Israelis sent 150-200 truckloads of infantry reinforcements toward Mishmar Hay Yarden, the only remaining Syrian stronghold in Palestine. Syrian Premier Zaim refused to be intimidated and immediately alerted all Syrian Army units as well as the Syrian Air Force. This prompt Syrian reaction will probably forestall an Israeli attack on Mishmar Hay Yarden. Currently both sides are considering a compromise proposal by UN Mediator Bunche, which would establish a neutral, demilitarized zone along the Syrian-Israeli front. Meanwhile, progress at Lausanne continues to be blocked by the inability of the Arabs and Israelis to get together on the refugee problem.

SECRET

F A R E A S T

CHINA

Drive to South The Chinese Communist offensive has continued to move forward during the past week as Nationalist leaders in Canton frantically discussed where to go next. Hankow has been taken; Shanghai is almost completely cut off and at the mercy of Communist forces; and a thrust deep into south China is developing rapidly. This thrust, apparently pointed at Kwangtung and the new national capital at Canton, not only threatens the proposed establishment of an anti-Communist center of resistance in south China but will probably frustrate any unified anti-Communist effort in China. There continues to be little likelihood that Acting President Li Tsung-jen and Chiang Kai-shek will compose their differences. Chiang is still determined to retire to Taiwan for a last-ditch stand against the Communists. In these circumstances, Canton will be abandoned and Li will attempt to organize military resistance on the mainland and to set up a separate Nationalist regime in southwest China, probably at the war-time capital of Chungking. Meanwhile, Li is facing insuperable administrative problems in Canton as a result of Chiang's continued interference in the government and refusal to relinquish his grip on Taiwan.

INDONESIA

Dutch Caution Although initial Dutch reaction has not been hostile to the recent agreement for restoration of the Indonesian Republic to Jogjakarta, criticism of the Dutch Indonesian policy, particularly by the right wing of the Catholic Party, will probably increase and may force the Dutch

- 13 -

SECRET

SECRET**INDONESIA**

Government to proceed more cautiously in final negotiations at The Hague for a formal agreement with the Republic. The resignation of Dutch High Commissioner Beel, the second prominent Catholic official to resign recently in protest against the Government's Indonesian policy, has made the Batavia agreement distasteful to conservative Catholic Party members. Moreover, the Dutch are generally skeptical of the ability of the Republican administration to live up to its share of the agreement. Right-wing opposition to the agreement may also be strengthened as a result of rumored dissatisfaction within the Dutch Army in Indonesia, which considers that the restoration of the Republic nullifies all the gains made by the police action. Meanwhile, however, Dutch and Republican officials in Indonesia are making substantial progress in overcoming the obstacles to implementing the Batavia agreement for restoration at Jogjakarta, and prospects are now good for convening The Hague conference by mid-July.

- 14 -**SECRET**

SECRET

DISTRIBUTION

1. The President
- 2,64. Secretary of State
- 3,4. Secretary of Defense
5. Secretary of the Army
6. Secretary of the Navy
7. Secretary of the Air Force
- 8,70. Chairman, National Security Resources Board
- 9,71. Executive Secretary, National Security Council
10. Assistant Secretary of the Navy for Air
- 11,69. Chief of Staff, U.S. Army
- 12,13,14. Chief of Naval Operations
- 15,16,17. Chief of Staff, U.S. Air Force
18. Director of Plans and Operations, General Staff, U.S. Army
19. Deputy Chief of Staff (Operations) U.S. Air Force
20. Deputy Chief of Naval Operations (Operations)
21. Director of Plans and Operations, U.S. Air Force
- 22,23,24. Special Assistant to Secretary of State for Research
and Intelligence
- 25,26,27,28,29, 30,31,32,33,34. Director of Intelligence, General Staff, U.S. Army
- 35,36,37,38,39, 40,41,42,43,44. Chief of Naval Intelligence
- 45,46,47,48,49. Director of Intelligence, U.S. Air Force
50. Director of Security and Intelligence, Atomic Energy Comm.
51. Executive Secretary, Military Liaison Committee,
Atomic Energy Commission
- 52,53,54,55,56. Chief, Acquisition & Distribution Division, OCD, Dept. State
57. Director, Federal Bureau of Investigation
58. Secretary, Joint Chiefs of Staff
59. Chief, Policy Planning Staff, Department of State
60. Secretary of State (Attention: Chief, Policy Reports Staff)
61. Deputy Director, Joint Intelligence Group, Joint Staff
- 62,63. Secretary, Joint Intelligence Group, Joint Staff
65. US Air Force Representative on Joint Strategic
Survey Committee
- 66,67. Secretary, State-Army-Navy-Air Coordinating Committee
68. Administrator, Economic Cooperation Administration

SECRET

~~SECRET~~